

Message Text

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43

ACTION NEA-06

INFO OCT-01 EUR-08 IO-03 NSC-05 NSCE-00 INR-05 CIAE-00

EB-03 L-01 TRSE-00 FRB-01 PM-03 DODE-00 ISO-00 /036 W

----- 099125

R 181057Z MAR 75

FM AMEMBASSY LONDON

TO AMEMBASSY JIDDA

INFO SECSTATE WASHDC 9370

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY CAIRO

AMCONSUL DHAHRAN

AMEMBASSY DOHA

USMISSION GENEVA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY PARIS

USMISSION OECD PARIS

USDEL RIYADH

AMEMBASSY ROME

AMEMBASSY SANAA

AMEMBASSY VIENNA

AMCONSUL ZURICH

C O N F I D E N T I A L LONDON 04142

DEPARTMENT PASS TREASURY AND FRB

LIMDIS

E.O. 11652: GDS

TAGS: EFIN, SA, UK

SUBJECT: REVALUATION OF THE SAUDI RIYAL; BANK OF ENGLAND
VIEW

REF: JIDDA 1854

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1. RE PARA 6 REFTTEL, WITH OVER 200 BANKS IN LONDON AUTHORIZED TO DEAL IN FOREIGN EXCHANGE, IT IS IMPOSSIBLE TO OFFER ANY FIRM ESTIMATE ON THE AMOUNT OF SAUDI RIYALS TRADED HERE IN AN AVERAGE WEEK. SENIOR BANK OF ENGLAND OFFICIAL WHO OVERSEES LONDON FOREIGN EXCHANGE MARKET CONSIDERS THAT TRADING IN SAUDI RIYALS IN LONDON IS "MINIMAL," WITH OVERWHELMING PROPORTION OF LONDON DEALS ON BEHALF OF SAUDI ARABIA TAKING PLACE IN DOLLARS & STERLING. SOURCE NOTED THAT WHILE THERE HAD BEEN SOME INDIVIDUAL BORROWING RECENTLY DENOMINATED IN RIYALS, THIS DEVELOPMENT HAS NOT YET APPEARED IN LONDON. NORMAL TRADING IS "PRETTY SMALL INDEED." OFFICIAL SAID THERE IS NO WAY TO PUT A PRECISE QUANTITATIVE ESTIMATE ON TRADING IN RIYALS SHORT OF TAKING A SURVEY THAT WOULD BE BOUND TO RAISE QUESTIONS ABOUT THE MOTIVES INVOLVED.

2. ON THE WIDER ISSUE OF THE SAUDI RIYAL REVALUATION, SOURCE CONSIDERED THAT THE FOREIGN EXCHANGE MARKET HERE DID NOT PLACE PARTICULAR IMPORTANCE ON IT NOR WILL IT BE SEEN AS PARTICULARLY SIGNIFICANT UNLESS THE SAUDIS BEGAN INVOICING THEIR OIL SHIPMENTS IN SDRS. SHOULD THE DOLLAR TEND TO STRENGTHEN IN FOREIGN EXCHANGE MARKETS, FEARS OF THIS PARTICULAR DEVELOPMENT WOULD PROBABLY RECEDE.

RICHARDSON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REVALUATIONS, CURRENCIES, FOREIGN EXCHANGE RATES, RIYAL
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAR 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON04142
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750094-0202
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750341/aaaabkor.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 75 JIDDA 1854
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2003 by ShawDG>; APPROVED <14 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REVALUATION OF THE SAUDI RIYAL: BANK OF ENGLAND VIEW
TAGS: EFIN, SA, UK, BANK OF ENGLAND
To: JIDDA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006